

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 /081 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8511

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L LONDON 02692

E.O. 11652: XGDS-1

TAGS: EGEN, EEC, UK

SUBJECT: EC RENEGOTIATION-REGIONAL POLICY

RE: EC BRUSSELS 1255

1. FCO AND CABINET OFFICE OFFICIALS ARE CONFIDENT THAT THE OUTSTANDING ISSUES RELATING TO EC REGIONAL POLICY CAN BE SETTLED BETWEEN NOW AND THE MARCH 10-11 MEETING OF THE HEADS OF GOVERNMENT COUNCIL IN DUBLIN, WHEN THE BRITISH HOPE TO COMPLETE THE PROCESS OF EC RENEGOTIATION.

2. THEY POINT OUT, HOWEVER, THAT THIS IS A MATTER THAT  
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WILL HAVE TO BE REVIEWED AT THE HIGHEST POLITICAL

LEVELS OF THE BRITISH GOVERNMENT. REGIONAL POLICY IS A SENSITIVE ISSUE FOR THE LABOUR PARTY, WHICH HAS LED THE WAY IN ESTABLISHING BRITAIN'S REGIONAL ASSISTANCE PROGRAMS. THE LABOUR ANTI-MARKETEERS CLAIM THAT MEMBERSHIP IN THE COMMUNITY LIMITS THE UK'S FREEDOM TO RUN ITS OWN REGIONAL POLICY. CERTAIN MINISTERS (NOTABLY MICHAEL FOOT AND TONY BENN), ARE EXPECTED TO OBJECT TO WHAT-EVER IS AGREED TO IN BRUSSELS. THEY ARE LIKELY TO BE OVERRULED, HOWEVER, BY WILSON, CALLAGHAN AND OTHER MEMBERS OF THE CABINET WHO WANT TO COMPLETE RENEGOTIATION ON SCHEDULE.

3. FROM THE UK'S POINT OF VIEW, TWO ASPECTS OF EC REGIONAL POLICY HAVE TO BE COMPLETED WITHIN THE TIME FRAME OF RENEGOTIATION. FIRST, AGREEMENT HAS TO BE REACHED ON THE IMPLEMENTING REGULATIONS FOR THE EC REGIONAL DEVELOPMENT FUND. AS REPORTED IN REF A, THE UK HAS DIFFICULTY WITH ONLY ONE OUTSTANDING POINT -- THE USE OF "JOB CREATION" OR "JOB MAINTENANCE" AS A CRITERIA FOR ENABLING THE UK TO GET REIMBURSED BY THE EC FUND FOR ITS REGIONAL DEVELOPMENT GRANTS. THIS IS NOT A MATTER OF PRINCIPLE, AS THE PURPOSE OF THE UK'S DEVELOPMENT GRANTS IS TO INCREASE EMPLOYMENT. TO MEET THE EC'S PROPOSED CRITERIA, HOWEVER, THE UK WOULD HAVE TO CHANGE THE WAY IN WHICH ITS GRANTS ARE ADMINISTERED. FCO OFFICIALS ARE CONFIDENT THAT THE EC CRITERIA CAN BE REDRAFTED IN A WAY THAT WILL SATISFY ALL SIDES, AND THAT THIS WILL BE DONE IN TIME FOR THE MARCH 3-4 MEETING OF THE COUNCIL.

4. THE SECOND ASPECT OF REGIONAL POLICY TO BE SETTLED INVOLVES THE GUIDELINES FOR THE COORDINATION OF MEMBER STATE REGIONAL AIDS NOW BEING DRAWN UP BY THE COMMISSION. THE BRITISH HAVE BEEN CONSULTING CLOSELY WITH THE COMMISSION ON THESE GUIDELINES AND FCO OFFICIALS EXPECT THAT THE COMMISSION'S COMMUNICATION, WHICH IS EXPECTED TO BE ISSUED NEXT WEEK, WILL BE ACCEPTABLE TO THE UK. THE COMMISSION'S PAPER WILL PROBABLY BE SENT TO THE SCRUTINY COMMITTEES OF THE BRITISH PARLIAMENT, AND IT MAY BE DEBATED IN THE HOUSE

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OF COMMONS. THE FCO HOPES, HOWEVER, THAT THE UK WILL BE ABLE TO JOIN THE OTHER MEMBER STATES IN AGREEING TO A RESOLUTION AT THE MARCH 3-4 COUNCIL ENDORSING THE COMMISSION'S COMMUNICATION.

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